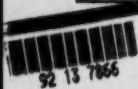


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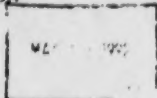
ORIGINAL



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

11/8
B92-2232

FORM 10-Q



[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **MARCH 31, 1992**

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-18378

**BEST COPY
AVAILABLE**

AMERICAN NATIONAL PETROLEUM COMPANY

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

76-0355960

(I.R.S. Employer
Identification Number)

**1717 St. James Place
Suite 200**

Houston, Texas 77056

(Address of principal executive offices) (Zip Code)

(713) 961-1770

(Registrant's telephone number
including area code)

PROCESSED BY

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MAY 16 1992

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Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.

Yes X No

As of May 13, 1992, the Registrant had 5,840,281 shares of \$.01 par value common stock outstanding.

AMERICAN NATIONAL PETROLEUM COMPANY

INDEX TO FORM 10-Q

THREE MONTHS ENDED MARCH 31, 1992 AND 1991

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AMERICAN NATIONAL PETROLEUM COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	March 31, 1992	December 31, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,932	\$ 14,838
Accounts receivable, net	4,691	4,941
Prepaid expenses and other	<u>296</u>	<u>253</u>
Total current assets	<u>20,919</u>	<u>20,032</u>
Property and equipment, at cost:		
Oil and gas properties being amortized, full cost method of accounting	57,618	56,960
Furniture, fixtures and other equipment	<u>626</u>	<u>610</u>
	58,244	57,600
Accumulated depreciation, depletion and amortization and valuation allowance	<u>(35,597)</u>	<u>(34,904)</u>
Other assets, net	<u>22,647</u>	<u>22,696</u>
	<u>2,913</u>	<u>3,090</u>
Total assets	<u>\$ 46,479</u>	<u>\$ 45,818</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,279	\$ 1,227
Accrued liabilities and other	<u>3,574</u>	<u>3,667</u>
Total current liabilities	4,853	4,894
Long-term debt	8,800	8,800
Deferred income taxes	1,256	1,256
Other liabilities	98	98
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, \$0.01 par value, authorized 30,000,000 shares, issued 5,872,781 shares	58	58
Additional paid-in capital	13,492	13,492
Retained earnings	18,091	17,369
Less cost of treasury stock (32,500 shares)	<u>(1,062)</u>	<u>(1,099)</u>
Total stockholders' equity	<u>31,472</u>	<u>30,770</u>
Total liabilities and stockholders' equity	<u>\$ 46,479</u>	<u>\$ 45,818</u>

The accompanying notes are an integral part of the consolidated financial statements.

AMERICAN NATIONAL PETROLEUM COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	<u>1992</u>	<u>1991</u>
Revenues:		
Oil and gas production	\$ 2,299	\$ 3,065
Interest income and other income	678	394
Net litigation settlement	<u>—</u>	<u>17,582</u>
	2,977	21,041
Costs and expenses:		
Oil and gas production	873	994
Depreciation, depletion and amortization	693	544
General and administrative	487	575
Interest	<u>260</u>	<u>508</u>
	2,313	2,981
Income before income taxes	664	18,060
Income tax provision	<u>(30)</u>	<u>(4,135)</u>
Net income before share of affiliates' earnings	634	13,925
Equity in earnings of affiliates	<u>66</u>	<u>156</u>
Net income	<u>\$ 702</u>	<u>\$ 14,081</u>
Earnings per common share:		
Primary	<u>\$ 0.12</u>	<u>\$ 2.11</u>
Fully diluted	<u>\$ 0.12</u>	<u>\$ 2.11</u>
Weighted average number of common shares outstanding	<u>5,840</u>	<u>6,685</u>

The accompanying notes are an integral part of the consolidated financial statements.

AMERICAN NATIONAL PETROLEUM COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase in Cash and Cash Equivalents

(Unaudited)
(Thousands)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	\$ 702	\$ 14,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	693	844
Deferred income tax provision (benefit)	—	72
Equity in net income of affiliates	(68)	(156)
Changes in assets and liabilities:		
Decrease in accounts receivable	250	1,910
(Increase) decrease in prepaid expenses and other	(43)	34
Decrease in other assets	24	4
Increase (decrease) in accounts payable	52	(242)
Increase (decrease) in accrued liabilities and other	(93)	5,077
Net cash provided by operating activities	<u>1,517</u>	<u>21,624</u>
Cash used in investing activities:		
Capital expenditures	(1,084)	(972)
Proceeds from sale of property and equipment	92	—
Dissolution of investment in affiliates	474	—
Cash distributions from Pecos joint venture	<u>95</u>	<u>137</u>
Net cash used in investing activities	<u>(423)</u>	<u>(835)</u>
Cash used in financing activities:		
Repayment of long-term debt	—	(924)
Net cash used in financing activities	<u>—</u>	<u>(899)</u>
Net increase in cash	1,094	19,800
Cash and cash equivalents at beginning of period	<u>14,838</u>	<u>7,551</u>
Cash and cash equivalents at end of period	<u>\$ 15,932</u>	<u>\$ 27,351</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 229	\$ 572
Income taxes	<u>—</u>	<u>—</u>
	<u>\$ 229</u>	<u>\$ 572</u>

The accompanying notes are an integral part of the consolidated financial statements.

AMERICAN NATIONAL PETROLEUM COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements of American National Petroleum Company (the "Company") included herein are unaudited. In the opinion of management, however, these consolidated financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of the interim periods. The results of operations for the three months ended March 31, 1992 are not necessarily indicative of operations for the full year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

2. EARNINGS PER COMMON SHARE INFORMATION

Earnings per common share information has been computed based on the weighted average number of common shares and common stock equivalents outstanding during the periods presented, computed by the treasury method. Primary and fully-diluted earnings per common share were approximately the same during the periods presented.

3. STATEMENT OF CASH FLOWS

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Such cash and cash equivalents totalled \$15,932,000 at March 31, 1992 (\$14,838,000 at December 31, 1991).

4. PECOS PIPELINE & PRODUCING COMPANY

Pecos Pipeline & Producing Company ("Pecos") has a 20% interest in a joint venture which owns a pipeline system in Madison County, Texas. The joint venture agreement requires the joint venture to distribute the net proceeds of the venture on a monthly basis. The Company accounts for its investment in the joint venture by recording the Company's share of the joint venture's cash distributions less the amount of the amortization of its investment.

Amortization of its investment is computed by dividing the current period cash distributions by the total estimated future cash distributions and then multiplying such fraction by the Company's net investment in the joint venture. The Company's investments in the joint venture of \$1,725,000 and \$1,787,000 as of March 31, 1992 and December 31, 1991, are included in "Other assets, net" on the Company's Consolidated Balance Sheets. The Company's equity in the earnings from the joint venture for Pecos amounted to approximately \$62,000 and \$60,000 for the three months ended March 31, 1992 and 1991, after a reduction of approximately \$62,000 and \$60,000, respectively, for the amortization of the Company's investment.

5. LONG-TERM DEBT

Long-term debt consisted of the following (in thousands) at:

	March 31, 1992	December 31, 1991
12.5% Senior Note	\$ —	\$ —
12.0% Convertible Note	<u>8,900</u>	<u>8,900</u>
	8,900	8,900
Less current maturities of long-term debt	<u>—</u>	<u>—</u>
Total Long-term debt	<u>\$ 8,900</u>	<u>\$ 8,900</u>

In 1998, the Company entered into a \$28,500,000 credit facility composed of a \$19,700,000 six year 12.5% Senior Note and a \$8,800,000 eight year 12% Convertible Note. The 12.5% Senior Note had a maturity date of May 20, 1994, but the outstanding balance of such note (\$7,482,000) was prepaid on October 17, 1991.

The 12% Convertible Note had a maturity date of August 20, 1996, bore interest at 12% per annum and was convertible into the Company's Common Stock at conversion prices of \$6.99 and \$6.98 per share during each of the years ending September 13, 1992 and 1993, respectively. The Convertible Note could not be prepaid prior to September 13, 1993 without the lender's consent.

On May 4, 1992, the Company prepaid the outstanding principal balance of \$8.8 million on the Convertible Note, plus accrued interest of \$40,000. The Company also paid a premium of \$1.025 million to obtain the lender's consent to the prepayment.

6. DETAILS OF CERTAIN BALANCE SHEET ACCOUNTS (in thousands):

	March 31, 1992	December 31, 1991
Accounts Receivable, net:		
Accounts receivable - trade	\$ 4,260	\$ 4,597
Less allowance for doubtful accounts	(254)	(311)
Gas balancing	<u>695</u>	<u>654</u>
	<u>\$ 4,691</u>	<u>\$ 4,941</u>
Accrued liabilities and other:		
Royalty and taxes payable	\$ 1,481	\$ 1,686
Gas balancing	532	406
State income tax	760	780
Other	<u>801</u>	<u>837</u>
	<u>\$ 3,574</u>	<u>\$ 3,667</u>

\$

7. **TRANSACTIONS WITH AFFILIATES**

Heath Petra Resources, Inc.

The Company provides certain management and consulting service from time to time to Heath Petra Resources, Inc. ("Heath Petra"), an affiliated gas marketing company owned 50% by the Company. The Company also helped arrange and guarantees a \$5,000,000 line of credit for Heath Petra. The Company is paid for these services as they are rendered, with the amount of compensation negotiated between the parties depending upon the services provided. During the first quarter of 1992 and 1991, the Company recognized income of \$10,000 and \$75,000, respectively, from Heath Petra for services rendered, which is included in "Interest Income and Other Income" on the Consolidated Statements of Operations.

8. **COMMITMENTS AND CONTINGENT LIABILITIES**

On September 1, 1989, Heath Petra obtained a \$5,000,000 line of credit which is guaranteed by the Company.

9. **LEGAL PROCEEDINGS**

There are no material pending legal proceedings affecting the Company or its subsidiaries, or any partnership of which it is a General Partner or liquidating trustee, except as follows:

Transcontinental Gas Pipe Line Corporation v. American National Petroleum Company, et al.

In September 1986, the Company, and the Company's affiliated partnership, Oil Investments, Ltd. ("OIL"), filed a lawsuit against Transcontinental Gas Pipe Line Corporation ("Transco") in the District Court of Harris County, Texas. The lawsuit involved alleged contract breaches relating to Transco's failure to take contracted volumes of the Company's gas and improper payments for gas purchased.

On March 5, 1991, after a trial and numerous appeals, the Company and OIL settled the lawsuit in exchange for the payment by Transco of \$21 million in cash. In connection with this lawsuit, the Company had recorded as revenues \$1.5 million in the 1986 financial statements. Additionally, legal expenses of approximately \$300,000 were incurred by the Company through December 31, 1989 and recorded as a receivable. After payments of taxes, legal fees, and other payments, payments to OIL and the collection of the receivables related to this litigation, the Company recognized net income from the settlement of approximately \$13.7 million in the first quarter of 1991.

10. **CHAPTER 11 PROCEEDINGS OF MAJORITY SHAREHOLDER**

On January 17, 1991, the Company's majority shareholder, Ironstone Group, Inc. ("Ironstone"), filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. This action has not had, nor is it expected to have, any effect on the Company's operations. At this time, Ironstone has not determined whether the Plan of Reorganization which it will submit to the Bankruptcy Court will include the sale of its investment in the Company.

When Ironstone purchased 2,096,075 shares of Common Stock of the Company in November 1987, a portion of the purchase price was contingent upon the favorable resolution of two pending lawsuits. Ironstone's contingent obligation was secured by a pledge of the 2,096,075 shares that were purchased. Now that the two lawsuits have been favorably resolved, the former shareholders of the Company have claimed that Ironstone owes them approximately \$5.5 million. One of these former shareholders was David G. Eller who is a director of the Company. Mr. Eller transferred his interest in the pledge of these shares to a trust, but remains the agent for the former shareholders with respect to the pledge. The bankruptcy court in which Ironstone's bankruptcy is pending determined that Ironstone could continue voting the 2,096,075 pledged shares, but must give ten days notice to its creditors (with an opportunity for a hearing) of Ironstone's intention to vote such shares for any major corporate changes, such as a merger, dissolution, sale of all assets or the removal of Mr. Eller as a director of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

I. RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED MARCH 31, 1992 WITH THREE MONTHS ENDED MARCH 31, 1991

REVENUES

Oil and Gas Production

A comparison of sales volumes and average sales prices of oil and gas sold for the three months ended March 31, 1992 and 1991 is as follows:

	Three Months Ended March 31,	
	1992	1991
<u><i>Sales Volumes</i></u>		
Crude oil and condensate (Bbls)	47,409	39,214
Natural gas (Mcf)	741,503	1,090,674
<u><i>Average Sales Price</i></u>		
Crude oil and condensate (per Bbl)	\$18.23	\$20.64
Natural gas (per Mcf)	\$ 1.89	\$ 2.07

Revenues from oil and gas sales decreased by \$766,000 (25%) from \$3,066,000 during the first quarter of 1991 to \$2,299,000 for the first quarter of 1992. This decrease was primarily as a result of decreased sales of gas and lower prices received on natural gas and crude oil. The decrease was partially offset by the increased sales of crude oil in the first quarter of 1992.

Equity in Net Income of Affiliates

The Company's share of earnings from its joint venture regarding the Pecos Pipeline, which is net of the amortization of its investment, is included in "Equity in net income of affiliates" in the Consolidated Statements of Operations and amounted to \$62,000 and \$60,000 for the first three months of 1992 and 1991, respectively. The Company also recognized \$1,000 and \$92,000 from Heath Petra for the first three months of 1992 and 1991, respectively.

Litigation Settlement

On March 5, 1991, the Company and an affiliated partnership, Oil Investments, Ltd. ("OIL"), settled their lawsuit with Transco in exchange for the payment by Transco of \$21 million in cash. In connection with this lawsuit, the Company had recorded as revenues \$1.5 million in the 1986 financial statements. Additionally, legal expenses of approximately \$300,000 were incurred by the Company through December 31, 1989 and recorded as a receivable. After accrual of legal fees and other payments, payments to OIL and the collection of the receivables related to this litigation, the Company recorded net revenues of \$17.6 million before taxes. After accrual of \$3.9 million of federal income taxes and deferred taxes, the Company recognized \$13.7 million of net income after taxes in the first quarter of 1991 for the settlement.

Interest Income and Other Income

Interest income and other income increased by \$284,000 from \$394,000 for the first quarter of 1991 to \$678,000 for the first quarter of 1992 due primarily to a gain of \$301,000 realized from the settlement of a litigation matter. Offsetting this increase was a decrease in the management fee recognized from Heath Petra which decreased from \$75,000 for the first quarter of 1991 to \$10,000 for the first quarter of 1992.

COSTS AND EXPENSES

Oil and gas production costs decreased by \$121,000 from \$994,000 for the first quarter of 1991 to \$873,000 for the first quarter of 1992 due primarily to the decrease of natural gas volumes. The average rate of oil and gas production costs per equivalent Mcf increased from \$0.75 per Mcf in the first quarter of 1991 to \$0.85 per Mcf in the comparable period of 1992.

Depreciation, depletion and amortization expense decreased by \$151,000 from \$844,000 for the first quarter of 1991 to \$693,000 for the comparable period of 1992 due primarily to lower natural gas volumes in the first quarter of 1992. The average rate of depletion per equivalent Mcf increased from \$0.60 per Mcf in the first quarter of 1991 to \$0.67 per Mcf in the first quarter of 1992.

General and administrative expenses decreased by \$88,000 from \$575,000 for the first quarter of 1991 to \$487,000 for the first quarter of 1992. The decrease was due primarily to a \$100,000 contingent costs accrued in the first quarter of 1991.

The decrease in interest expense of \$308,000 from \$568,000 for the first quarter of 1991 compared to \$260,000 for the first quarter of 1992 is due to higher levels of outstanding debt prevailing during the 1991 period.

The federal income tax provision of \$4,135,000 for the three months ended March 31, 1991 is comprised of (i) \$3,808,000 which arose from the \$17.6 million of net income realized from the Tranaco litigation settlement in March 1991, (ii) \$255,000 which arose from the Company's operations excluding the litigation settlement, and (iii) \$72,000 deferred federal income tax.

II. LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992, the Company had working capital of \$16,066,000, and cash and cash equivalents totaling \$15,932,000. During the three months ended March 31, 1992, net cash flow provided by operations amounted to \$1,517,000 while operations provided funds of \$21,624,000 for the corresponding quarter in 1991. Approximately \$20 million of the net cash flow provided by operations for the three months ended March 31, 1991 was the result of the settlement proceeds received from the settlement of the Company's lawsuit against Tranaco discussed above. Capital expenditures during first quarter of 1992 totaled \$1,084,000, compared to \$972,000 for the comparable period in 1991.

On May 4, 1992, the Company prepaid the outstanding principal balance of \$8.8 million on the Convertible Note, plus accrued interest of \$40,000. The Company also paid a premium of \$1.025 million to obtain the lender's consent to the prepayment since the debt could not otherwise be prepaid.

The Company will continue to use its remaining cash holdings of approximately \$6 million after the debt prepayment to acquire additional oil and natural gas properties. The Company anticipates that its internally generated cash flow and cash balances on hand will provide it with sufficient liquidity during the remainder of 1992.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN NATIONAL PETROLEUM COMPANY
(Registrant)

By: Michael Y. McGovern
Michael Y. McGovern, President and
Chief Accounting Officer

Date: May 13, 1992